



County of Los Angeles
CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

October 25, 2011

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

13 October 25, 2011

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

**BOND ANTICIPATION NOTES
AUTHORIZATION AND REIMBURSEMENT RESOLUTION
(ALL DISTRICTS) (3 VOTES)**

SUBJECT

These actions will provide for interim financing of equipment acquisitions for various County departments and enable the County to maximize reimbursement for costs related to the financing of this equipment.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve the issuance of short-term Bond Anticipation Notes in an aggregate amount not to exceed \$51,798,000 to finance the acquisition of various equipment needs through the Los Angeles County Capital Asset Leasing Corporation.
2. Adopt the "Resolution of the Board of Supervisors of the County of Los Angeles Declaring its Intention to Reimburse Certain Capital expenditures from the Proceeds of Taxable or Tax-Exempt Obligations (2011-12 Equipment Bond Anticipation Notes Program)".

"To Enrich Lives Through Effective And Caring Service"

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Intra-County Correspondence Sent Electronically Only**

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommended actions will allow the issuance of new short-term Bond Anticipation Notes (BANs) in Fiscal Year (FY) 2011-12, which will provide interim financing of equipment acquisitions for various County departments in accordance with federal tax regulations, and enable the County to maximize reimbursement for costs related to the financing of this equipment.

BANs Authorization for Equipment Acquisition

The recommended actions will authorize the issuance of BANs in an aggregate amount not to exceed \$51,798,000 to provide interim financing for equipment acquisitions by various County departments. The summary of the \$51,798,000 in authorized equipment purchases using the Los Angeles County Capital Asset Leasing Corporation (LAC-CAL) Equipment Financing Program is attached to the reimbursement resolution recommended for approval as part of this action. The BANs will be issued by LAC-CAL and purchased as an investment by the County Treasury Pool in an amount sufficient to acquire and deliver the identified equipment. Subsequently, the BANs will be redeemed and the County Treasury Pool reimbursed through the issuance of intermediate-term lease-revenue bonds, notes, certificates of participation (COP), or a lease with a third-party lessor.

Reimbursement Resolution

In addition to the approval of the BANs issuance for equipment acquisition, we are requesting that your Board execute the attached Reimbursement Resolution (Resolution), included as Exhibit A, as approved by County Counsel, to comply with federal tax regulations governing the recovery of County capital costs from taxable and tax-exempt bond proceeds. Execution of the Resolution will enable the County to maximize reimbursement for costs related to the financing of equipment for various County departments.

Internal Revenue Service Requirements

In 1991, the Internal Revenue Service (IRS) introduced regulations governing the reimbursement of expenditures from bond or COP proceeds. In order to ensure the continued recovery of allowable expenditures, which are related to equipment acquisitions, the regulations require your Board to adopt a Resolution, which states the following:

- your Board's intention to finance expenditures related to equipment acquisitions;

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- a statement that any such expenditures would be financed through the issuance of taxable and tax-exempt bonds or COPs;
- a qualitative description of the proposed project whose expenditures would be reimbursed from the proceeds of such an issue; and
- identification of the expected source(s) of funds, which would initially pay for such expenditures and ultimately be utilized to repay the bond or COP obligation.

The attached Resolution meets IRS regulations and will allow for maximum reimbursement of County expenditures for equipment from future bond sales. Prior and current year costs have been included to allow reimbursement from a future bond sale. A description of the proposed equipment is attached to the Resolution for your review.

FISCAL IMPACT/FINANCING

Approval of the recommended actions will enable the County to issue BANs to provide interim financing for equipment acquisition and maximize reimbursement of County expenditures for equipment from future bond sales. Funding for the repayment of BANs has been included in the FY 2011-12 Final Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The attached Resolution has been approved by County Counsel.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The recommended actions will ensure the continuation of the County's long-standing LAC-CAL Equipment Program.

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CONCLUSION

Please forward an adopted copy of this Board letter and an executed copy of the Resolution to the Chief Executive Office, Capital Projects Division.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:RLR:DJT
SW:PB:zu

Attachments

c: Executive Office, Board of Supervisors
Auditor-Controller
County Counsel
Treasurer and Tax Collector

EXHIBIT A – REIMBURSEMENT RESOLUTION

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE
COUNTY OF LOS ANGELES DECLARING ITS INTENTION TO
REIMBURSE CERTAIN CAPITAL EXPENDITURES FROM THE
PROCEEDS OF TAXABLE OR TAX-EXEMPT OBLIGATIONS
(2011-12 EQUIPMENT BANs PROGRAM)

WHEREAS, from time to time the County of Los Angeles (the "County") desires and intends to undertake the purchase of tangible personal property having a useful life of three years or more (the "Equipment"), as set forth in the schedule attached hereto; and

WHEREAS, no funds of the County or of any other entity which is a part of the controlled group of which the County is a part (the "Controlled Group") as such term is defined in Section 1.150-1 of the regulation of the United States Treasury under the Internal Revenue Code of 1986, as amended (the "Treasury Regulations") are, or are reasonably expected to be, allocated, reserved or otherwise set aside in the County's budget or in the Controlled Group's budget on a long-term basis to pay the costs of the Equipment; and

WHEREAS, the costs of the Equipment will initially be paid from the proceeds of Bond Anticipation Notes ("BANs") issued by the Los Angeles County Capital Asset Leasing Corporation ("LAC-CAL") and purchased by the Treasurer and Tax Collector of the County, as an allowable investment by the County Treasury Pool; and

WHEREAS, the costs of the Equipment paid with the proceeds of the

BANs are expenditures of a type which are properly chargeable to a capital account under general federal income tax principles in connection with the Equipment, and

WHEREAS, the County expects to issue taxable or tax-exempt bonds, notes, or certificates of participation, or enter into a tax-exempt lease with a third-party lessor ("Obligations") to redeem the BANs and reimburse the capital expenditures of the County with respect to the Equipment which were paid with the proceeds of the BANs; and

WHEREAS, upon issuance of the Obligations, the County will: (1) evidence the reimbursement allocation with an entry in the books or records which it maintains with respect to the Obligations, (2) identify in such entry the actual prior expenditure being reimbursed or the fund from which the expenditure was paid, and (3) be relieved of any restrictions under the relevant legal documents and applicable state law with respect to the amount received as reimbursement as a result of the reimbursement allocation; and

WHEREAS, this Resolution will be reasonably available for public inspection within a reasonable period of time after its date of adoption and in the same manner governing the public availability of records of other official acts of the County Board of Supervisors; and

WHEREAS, this Resolution is intended to be a "declaration of official intent" in accordance with Section 1.150-2 of the Treasury Regulations;

NOW, THEREFORE, this Board does find, resolve, determine and order that in accordance with Section 1.150-2 of the Treasury Regulations, the County declares its intention to issue Obligations to finance the Equipment in an amount not to exceed \$51,798,000 the proceeds of which will be used to reimburse the County for

capital expenditures paid for the Equipment prior to the issuance of said Obligations.

The foregoing resolution was on the 25th day of October, 2011 adopted by the Board of Supervisors of the County of Los Angeles and *ex-officio* the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.



SACHI A. HAMAI, Executive Officer,
Board of Supervisors of the County
of Los Angeles

By Rachelle Smitherman
Deputy

APPROVED AS TO FORM:

ANDREA SHERIDAN ORDIN
COUNTY COUNSEL

By Amey D. Pant
Principal Deputy County Counsel

SCHEDULE ATTACHMENT

TO

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE
 COUNTY OF LOS ANGELES DECLARING ITS INTENTION TO
 REIMBURSE CERTAIN CAPITAL EXPENDITURES FROM THE
 PROCEEDS OF TAXABLE OR TAX-EXEMPT OBLIGATIONS
 (2011-12 EQUIPMENT BANs PROGRAM)

**LOS ANGELES COUNTY CAPITAL ASSET LEASING (LAC-CAL) ACQUISITION
 EQUIPMENT FINANCING PROGRAM
 Summary of Authorized Transactions/Financing Uses by Department - All Funds**

Department	Equipment Category	Anticipated 2011-12 Acquisitions
General Fund		
Sheriff	Vehicles	\$ 15,982,000
Sheriff	Computer and Midrange	1,400,000
Beaches and Harbors	Vehicles	1,076,000
Beaches and Harbors	Heavy Vehicles	335,000
Beaches and Harbors	Heavy Maintenance Equipment	1,150,000
Internal Services	Telecommunication Equipment	695,000
Internal Services	Computer & Data Processing	<u>14,287,000</u>
Total General Fund		\$ 34,925,000
Health Services Department		
Rancho Los Amigos NRC	Medical Equipment	\$ 841,000
Rancho Los Amigos NRC	Non-Medical Equipment	291,000
LAC+USC Health Care Network	Medical Equipment	1,420,000
Metro Care Networks	Medical Equipment	12,861,000
Valley Care Network	Computer & Data Processing	662,000
Valley Care Network	Non-Medical Equipment	90,000
Valley Care Network		<u>708,000</u>
Total Health Services Department		\$ 16,873,000
Total Financing		\$ 51,798,000

The equipment identified on this page reflects County equipment requirements to be financed through the Los Angeles County Capital Asset Leasing Corporation (LAC-CAL) in 2011-12. The County Board of Supervisors (Board) has not allocated, reserved or otherwise set aside any funds in the County's 2011-12 Final Recommended Budget to purchase the equipment identified above.